

Assembly Constitutional Amendment

No. 10

Introduced by Assembly Member Melendez

February 19, 2016

Assembly Constitutional Amendment No. 10—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Section 20 of Article XVI thereof, relating to the state budget.

LEGISLATIVE COUNSEL'S DIGEST

ACA 10, as introduced, Melendez. Budget Stabilization Account.

Existing provisions of the California Constitution, approved by the electors on November, 4, 2014, establish the Budget Stabilization Account in the General Fund and require the Controller, on or before October 1 of the 2015–16 fiscal year and each fiscal year thereafter, to transfer from the General Fund to the Budget Stabilization Account amounts that include a sum equal to 1.5% of the estimated amount of General Fund revenues for that fiscal year. These existing provisions prohibit for each fiscal year transfers to the Budget Stabilization Account that would cause the balance in the account to exceed 10% of the amount of General Fund proceeds of taxes for the fiscal year as estimated by the Department of Finance.

This measure would increase from 1.5% to 3% the percentage of estimated General Fund proceeds of taxes required to be transferred from the General Fund to the Budget Stabilization Account for each fiscal year. This measure would also increase the maximum balance of the Budget Stabilization Account for each fiscal year from 10% to 15% of the amount of General Fund proceeds of taxes for the fiscal year as estimated by the Department of Finance.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

1 *Resolved by the Assembly, the Senate concurring,* That the
2 Legislature of the State of California at its 2015–16 Regular
3 Session commencing on the first day of December 2014, two-thirds
4 of the membership of each house concurring, hereby proposes to
5 the people of the State of California, that the Constitution of the
6 State be amended as follows:

7 That Section 20 of Article XVI thereof is amended to read:

8 SEC. 20. (a) (1) The Budget Stabilization Account is hereby
9 created in the General Fund.

10 (2) For the 2015–16 fiscal year and each fiscal year thereafter,
11 based on the Budget Act for the fiscal year, the Controller shall
12 transfer from the General Fund to the Budget Stabilization Account,
13 no later than October 1, a sum equal to ~~4.5~~ 3 percent of the
14 estimated amount of General Fund revenues for that fiscal year.

15 (b) (1) For the 2015–16 fiscal year and each fiscal year
16 thereafter, based on the Budget Act for the fiscal year, the
17 Department of Finance shall provide to the Legislature all of the
18 following information:

19 (A) An estimate of the amount of General Fund proceeds of
20 taxes that may be appropriated pursuant to Article XIII B for that
21 fiscal year.

22 (B) (i) An estimate of that portion of the General Fund proceeds
23 of taxes identified in subparagraph (A) that is derived from personal
24 income taxes paid on net capital gains.

25 (ii) The portion of the estimate in clause (i) that exceeds 8
26 percent of the estimate made under subparagraph (A).

27 (C) That portion of the state’s funding obligation under Section
28 8 that results from including the amount calculated under clause
29 (ii) of subparagraph (B), if any, as General Fund proceeds of taxes.

30 (D) The amount of any appropriations described in clause (ii)
31 of subparagraph (B) of paragraph (1) of, or subparagraph (C) of
32 paragraph (2) of, subdivision (c), that are made from the revenues
33 described in clause (ii) of subparagraph (B) of this paragraph.

34 (E) The amount resulting from subtracting the combined values
35 calculated under subparagraphs (C) and (D) from the value
36 calculated under clause (ii) of subparagraph (B). If less than zero,
37 the amount shall be considered zero for this purpose.

(F) The lesser of the amount calculated under subparagraph (E) or the amount of transfer resulting in the balance in the Budget Stabilization Account reaching the limit specified in subdivision (e).

(2) In the 2016–17 fiscal year, with respect to the 2015–16 fiscal year only, and in the 2017–18 fiscal year and each fiscal year thereafter, separately with respect to each of the two next preceding fiscal years, the Department of Finance shall calculate all of the following, using the same methodology used for the relevant fiscal year, and provide those calculations to the Legislature:

(A) An updated estimate of the amount of General Fund proceeds of taxes that may be appropriated pursuant to Article XIII B.

(B) (i) An updated estimate of that portion of the General Fund proceeds of taxes identified in subparagraph (A) that is derived from personal income taxes paid on net capital gains.

(ii) That portion of the updated estimate in clause (i) that exceeds 8 percent of the updated estimate made under subparagraph (A).

(C) The updated calculation of that portion of the state’s funding obligation under Section 8 that results from including the updated amount calculated under clause (ii) of subparagraph (B), if any, as General Fund proceeds of taxes.

(D) The amount of any appropriations described in clause (ii) of subparagraph (B) of paragraph (1) of, or subparagraph (C) of paragraph (2) of, subdivision (c), that are made from the revenues described in clause (ii) of subparagraph (B) of paragraph (1).

(E) The amount resulting from subtracting the combined values calculated under subparagraphs (C) and (D) from the value calculated under clause (ii) of subparagraph (B). If less than zero, the amount shall be considered zero for this purpose.

(F) The amount previously transferred for the fiscal year by the Controller from the General Fund to the Budget Stabilization Account pursuant to subdivisions (c) and (d).

(G) The lesser of (i) the amount, not less than zero, resulting from subtracting, from the amount calculated under subparagraph (E), the value of any suspension or reduction of transfer pursuant to paragraph (1) of subdivision (a) of Section 22 previously approved by the Legislature for the relevant fiscal year, and the amount previously transferred for that fiscal year by the Controller as described in subparagraph (F), or (ii) the amount of transfer

1 resulting in the balance in the Budget Stabilization Account
2 reaching the limit as specified in subdivision (e).

3 (c) (1) (A) By October 1 of the 2015–16 fiscal year and each
4 fiscal year thereafter to the 2029–30 fiscal year, inclusive, based
5 on the estimates set forth in the annual Budget Act pursuant to
6 paragraphs (2) and (3) of subdivision (h), and the sum identified
7 in paragraph (2) of subdivision (a), the Controller shall transfer
8 amounts from the General Fund and the Budget Stabilization
9 Account, pursuant to a schedule provided by the Director of
10 Finance, as provided in subparagraph (B).

11 (B) Notwithstanding any other provision of this section, in the
12 fiscal year to which the Budget Act identified in subparagraph (A)
13 applies:

14 (i) Fifty percent of both the amount identified in paragraph (2)
15 of subdivision (a), and the amount resulting from subtracting the
16 value calculated under subparagraph (C) of paragraph (1) of
17 subdivision (b) from the value calculated under clause (ii) of
18 subparagraph (B) of paragraph (1) of subdivision (b), shall be
19 transferred from the General Fund to the Budget Stabilization
20 Account.

21 (ii) The remaining 50 percent shall be appropriated by the
22 Legislature for one or more of the following obligations and
23 purposes:

24 (I) Unfunded prior fiscal year General Fund obligations pursuant
25 to Section 8 that existed on July 1, 2014.

26 (II) Budgetary loans to the General Fund, from funds outside
27 the General Fund, that had outstanding balances on January 1,
28 2014.

29 (III) Payable claims for mandated costs incurred prior to the
30 2004–05 fiscal year that have not yet been paid, and that pursuant
31 to paragraph (2) of subdivision (b) of Section 6 of Article XIII B
32 are permitted to be paid over a term of years, as prescribed by law.

33 (IV) Unfunded liabilities for state-level pension plans and
34 prefunding other postemployment benefits, in excess of current
35 base amounts as established for the fiscal year in which the funds
36 would otherwise be transferred to the Budget Stabilization Account.
37 For the purpose of this subclause, current base amounts are those
38 required to be paid pursuant to law, an approved memorandum of
39 understanding, benefit schedules established by the employer or
40 entity authorized to establish those contributions for employees

1 excluded or exempted from collective bargaining, or any
2 combination of these. To qualify under this subclause, the
3 appropriation shall supplement and not supplant funding that would
4 otherwise be made available to pay for the obligations described
5 in this subclause for the fiscal year or the subsequent fiscal year.

6 (2) (A) By October 1 of the 2030–31 fiscal year and each fiscal
7 year thereafter, based on the estimates set forth in the annual
8 Budget Act pursuant to paragraphs (2) and (3) of subdivision (h),
9 the Controller shall transfer amounts from the General Fund to the
10 Budget Stabilization Account, pursuant to a schedule provided by
11 the Director of Finance, as provided in subparagraph (B).

12 (B) In the fiscal year to which the Budget Act identified in
13 subparagraph (A) applies, both the amount identified in paragraph
14 (2) of subdivision (a), and the amount resulting from subtracting
15 the value calculated under subparagraph (C) of paragraph (1) of
16 subdivision (b) from the value calculated under clause (ii) of
17 subparagraph (B) of paragraph (1) of subdivision (b), shall be
18 transferred from the General Fund to the Budget Stabilization
19 Account.

20 (C) Notwithstanding any other provision of this section, the
21 Legislature may appropriate up to 50 percent of both the amount
22 identified in paragraph (2) of subdivision (a), and of the amount
23 resulting from subtracting the value calculated under subparagraph
24 (C) of paragraph (1) of subdivision (b) from the value calculated
25 under clause (ii) of subparagraph (B) of paragraph (1) of
26 subdivision (b), for one or more of the obligations and purposes
27 described in clause (ii) of subparagraph (B) of paragraph (1).

28 (3) The transfers described in this subdivision are subject to
29 suspension or reduction pursuant to paragraph (1) of subdivision
30 (a) of Section 22.

31 (d) By October 1 of the 2016–17 fiscal year and each fiscal year
32 thereafter, based on the estimates set forth in the annual Budget
33 Act pursuant to paragraphs (4) and (5) of subdivision (h), the
34 Controller shall transfer amounts between the General Fund and
35 the Budget Stabilization Account pursuant to a schedule provided
36 by the Director of Finance, as follows:

37 (1) If the amount in subparagraph (G) of paragraph (2) of
38 subdivision (b) is greater than zero, transfer that amount from the
39 General Fund to the Budget Stabilization Account, subject to any

1 suspension or reduction of this transfer pursuant to paragraph (1)
2 of subdivision (a) of Section 22.

3 (2) If the amount described in subparagraph (F) of paragraph
4 (2) of subdivision (b) is greater than the amount calculated under
5 subparagraph (E) of paragraph (2) of subdivision (b), transfer that
6 excess amount from the Budget Stabilization Account back to the
7 General Fund.

8 (e) Notwithstanding any other provision of this section, the
9 amount of a transfer to the Budget Stabilization Account pursuant
10 to paragraph (2) of subdivision (a) and subdivisions (c) and (d) for
11 any fiscal year shall not exceed an amount that would result in a
12 balance in the account that, when the transfer is made, exceeds ~~10~~
13 *15* percent of the amount of General Fund proceeds of taxes for
14 the fiscal year estimated pursuant to subdivision (b). For any fiscal
15 year, General Fund proceeds of taxes that, but for this paragraph,
16 would have been transferred to the Budget Stabilization Account
17 may be expended only for infrastructure, as defined by Section
18 13101 of the Government Code, as that section read on January
19 1, 2014, including deferred maintenance thereon.

20 (f) The funds described in subdivision (b) as General Fund
21 proceeds of taxes are General Fund proceeds of taxes for purposes
22 of Section 8 for the fiscal year to which those proceeds are
23 attributed, but are not deemed to be additional General Fund
24 proceeds of taxes on the basis that the funds are thereafter
25 transferred from the Budget Stabilization Account to the General
26 Fund.

27 (g) The Controller may utilize funds in the Budget Stabilization
28 Account, that he or she determines to currently be unnecessary for
29 the purposes of this section, to help manage General Fund daily
30 cashflow needs. Any use pursuant to this subdivision shall not
31 interfere with the purposes of the Budget Stabilization Account.

32 (h) The annual Budget Act shall include the estimates described
33 in all of the following:

34 (1) Paragraph (2) of subdivision (a).

35 (2) Clause (ii) of subparagraph (B) of paragraph (1) of
36 subdivision (b).

37 (3) Subparagraph (F) of paragraph (1) of subdivision (b).

38 (4) Clause (ii) of subparagraph (B) of paragraph (2) of
39 subdivision (b).

- 1 (5) Subparagraph (G) of paragraph (2) of subdivision (b).

O